

Kentucky Department of Insurance

INSURANCE TIPS

*An Alphabetical Listing of Miscellaneous
Tips on a Variety of Insurance Issues*



Accidents

Unfortunately, even the most careful driver can be involved in an accident. If you find yourself in a smash-up, follow these tips. If someone is injured, you should call for help immediately. Provide basic first aid but don't move an injured person unless you have medical training. Make note of the time of day, any weather factors that may have contributed to the accident, the position of the cars, etc. Courteously exchange information with the other parties involved such as names, addresses, phone numbers, driver's license numbers, insurance companies and policy numbers, if possible. If there were witnesses to the accident, get their names and telephone numbers. If the police are called, make a note of the reporting officer's name. Report the accident to your insurance agent or company as soon as possible, even if you were not at fault.

Auto Insurance Fraud

Insurance fraud is lying to an insurance company to get money. You can help combat auto insurance fraud by taking some precautions:

- Avoid being a target. Don't tailgate and keep your vehicle from drifting into another lane, especially when there are two left-turn lanes.
- Stay alert at intersections.
- Don't signal that you have insurance by putting an insurance company decal or sticker on your car.
- Contact the police if you are involved in an accident, even if it's minor.
- If you are in an accident, write down detailed information including names and addresses of those involved, license numbers, insurance company information, and the number of passengers in the other cars.
- Call your insurance company immediately if you are involved in an accident.
- Report any attempts to involve you in a scam.
- Contact the police if you witness an accident.

Auto Insurance - Teens

Your teen just started driving and the full impact was felt with the arrival of your new auto insurance premium. To reduce the cost of insurance, consider letting your teen drive the safest car you own. Larger cars and safety features such as air bags and antilock brakes reduce the risk of injury.

Rates will be lower if the teen is driving a "family" car and not a high-performance model. Make it clear that drinking, texting or talking on a cell phone are not acceptable while driving. A conviction for driving under the influence most likely will mean the only insurance option will be a high-risk carrier - with corresponding higher rates.

Look for "good student" discounts, if available. Remind your teen that seat belts are not optional and this includes belts for all passengers. Besides increased safety, this limits the temptation to pile too many teens into the car.

Contractor Insurance Needs

Construction of new homes is big business in Kentucky. If you are building a new house, you need to keep some insurance-related matters in mind. Call your agent now to discuss your coverage. Don't wait until the house is finished.

Make sure your contractor and any subcontractors have workers' compensation coverage. Workers' compensation pays for medical and rehabilitation expenses and lost wages if a worker gets injured on the job. If the contractor does not have the proper insurance coverage, the injured worker might sue you.

Be sure the contractor has his or her own general liability coverage and is bonded for performance. Make sure all work is completed and have the property inspected. Ask about upgrades that would make your home more resistant to the effects of natural disasters. Ask your agent about discounts.

Death Benefits

Your great-great-uncle died. He always told you that he had named you as his beneficiary in a large life insurance policy. Nothing has turned up. Are you out of luck? Maybe. There is no national database that tracks life insurance policies. If no one comes forward to claim the death benefit, the money eventually ends up in state unclaimed property. However, that could take years.

Assuming you are the beneficiary (the company doesn't have to release any information regarding a policy otherwise), you could begin by checking bank records. Contact any professionals the deceased dealt with - attorney, insurance agent, accountant. One of them might have a clue. You can also contact insurance companies. Try to narrow your search as much as possible. Contact the benefits coordinator at the deceased's place of employment.

A number of companies around the country offer search services for a fee. Keep in mind that you may pay the fee and get no results.

It is important to discuss life insurance, wills and other matters with family members so there are no surprises for them after your death.

Employee Health

It is important to remember that not all insurance plans fall under the jurisdiction of the Kentucky Department of Insurance.

Some employer or employee groups purchase health insurance from an insurance company. Others may purchase health coverage from a health maintenance organization (HMO). Both are called *fully insured health benefit plans* and are regulated by state insurance departments.

However, some employer or employee groups provide what are called *self-funded health benefit plans*. This means the employer or group sets aside funds and employee premiums each month to pay health claims submitted to the plan. This type is under the authority of the U.S. Department of Labor and is authorized by Congress under the Employee Retirement Income Security Act (ERISA). Some state laws do not apply to these plans, and the Kentucky Department of Insurance does not have the authority to investigate complaints about these plans. If you have a question about the type of plan you have, contact the benefits coordinator at your place of employment.

General Insurance Tips

- Schedule a routine “checkup” with your insurance providers at least once a year. Inquire about the cost benefit of opting for higher deductibles.
- Ask specifically about discounts for good driving records, good health, good grades, special education or training.
- Shop around for identical products and services. Not every company charges the same rate.
- Remember an insurance policy is a legal document. Read it carefully. Once you receive a new policy, review it for accuracy and report any errors you may find.
- Never cancel an existing policy until you are sure the new company has accepted your application and has issued a policy.
- Automobile and homeowners policies do not have a grace period for premium payments.
- Protect your credit rating. Remember that some companies use credit scoring in determining your auto and homeowner premiums. Be very cautious about giving anyone personal information, including bank account or credit card numbers.
- Never pay in cash. When purchasing a policy, make the check payable to the insurance company.
- Check the financial stability of any insurance company before making a purchase.
- Watch out for a sales pitch that plays on your fears and emotions.
- Don’t be misled by advertisements featuring celebrities. Most of these people are paid actors - not insurance experts.
- A health discount plan IS NOT INSURANCE and not a substitute for a health benefit plan or a Medicare supplement policy.

- Stop, call and confirm. Before buying an insurance product, call the Department of Insurance to verify that the company and agent are licensed to do business in the state. Remember that some bogus insurers use names that are similar to legitimate companies.

Health Appeals

Kentuckians enrolled in health benefit plans have the right to appeal an insurer's decision to deny payment for a treatment, service, drug or device. The law does not apply if you are covered by a Medicare supplement policy, a student health plan or an employer "self-funded" plan.

Two important terms are used in filing an appeal. If you receive a "coverage denial," this means the company believes the treatment or service is not covered as outlined in your benefit plan. An "adverse determination" means the insurance company does not think the treatment or service is medically necessary or appropriate.

Once a consumer has exhausted all appeals within the company, he/she can turn to the external appeals process. The service or treatment must have cost \$100 or more to be eligible for this process. The consumer must pay a \$25 filing fee that will be refunded if the decision is in the consumer's favor. The fee is waived if the insured can demonstrate financial hardship.

Your company must pay for the external review and must use a Department of Insurance-approved "independent review entity" (IRE) to review your file. If the IRE approves your treatment or service, the company must pay for it. For more information, contact the Department of Insurance at 800-595-6053 (in KY) or 502-564-3630 (out of state) and request the fact sheet *What You Should Know About Health Insurance Appeals*. The fact sheet is available on our Web site <http://insurance.ky.gov/> on the Publications page under Health Insurance.

Homeowners Insurance

As Kentuckians have seen in recent years, severe weather can cause problems at any time of the year. There is nothing you can do to stop a tornado, flood or hailstorm from damaging your property.

However, there are some things you can do now to be sure you are prepared for any weather-related disaster. Review your insurance coverage to make sure it is adequate. Storm and tornado damages are covered under a standard homeowners policy, but it is important to review your policy to be sure it is adequate should you experience a loss. Since the standard homeowners policy does not cover damages from flood, decide if you need this additional protection.

Consider any large purchases you have made and determine if you are covered for losses. Contact your agent if you have any questions about your coverage.

Homeowners Insurance - Fire Class

When you went to your agent to purchase homeowners insurance, the agent may have mentioned the "fire class" of your residence. It is important for consumers to understand how this relates to the cost of their insurance.

The Insurance Service Office (ISO) rates communities throughout the nation. The fire-protection class of your town or city may affect your insurance premium. The ISO uses a Fire Suppression Rating Schedule (FSRS) to determine how well a community handles the reporting of, the response to and the fighting of a fire.

The scale is from one to 10 with one being the best protection class and 10 being no protection at all. The largest part of a city's grade is determined by the number of fire stations and the firefighting equipment available. ISO's minimum standard is one fire station within five miles of a house. Another major factor in the rating is the community's water supply. ISO's minimum standard is one fire hydrant within 1,000 feet of a home.

Home Security

Before you head off for vacation, remember that home security and insurance industry experts estimate that nine out of 10 household burglaries are preventable.

Most burglars will avoid homes where they would risk being seen because of lighting, where it would take more than four or five minutes to break into the house, or where breaking in could create noise.

Outdoors, trim trees and shrubs near doors and windows. Mount exterior lights to reduce the darkness around your house. Install simple security devices such as deadbolt locks and window locks and make sure you use them. Don't hide a spare key under the mat, over the door or in another "secret" place.

Make your house look like it does when you are at home. Lower your phone's ringer so it can't be heard from outside. Stop your newspaper and ask a neighbor to pick up your mail. Depending on the season, make sure your yard is mowed or the snow is cleared off your sidewalk and driveway.

Insurance Fraud

Even if you are a law-abiding citizen who would never consider committing fraud, you should know that you help bear the cost.

National estimates place the cost of insurance fraud at up to \$120 billion a year. The losses are passed on to the consumer through higher premiums and increased costs of doing business.

Fraud generally involves some element of theft and dishonesty. Examples include fake accidents and disabilities, false applications and claims, theft of insurance premiums, false medical billing, arson and unauthorized insurance companies.

To report allegations of fraud involving insurance and workers' compensation, call the Kentucky Department of Insurance at 800-595-6053 (in KY) or 502-564-3630 (out of state) or via the TTY line for the deaf or hard-of-hearing, 800-462-2081; the Insurance Fraud Investigation Division at 502-564-1461; the workers' compensation fraud hotline at 800-554-8601, or contact your nearest law enforcement agency.

Insurance Myths

Insurance is not a particularly exciting topic for the average consumer and most of us give little thought to it until we need to make a claim.

One of the biggest insurance myths is that insurance is a "savings account." A consumer who has just had a \$2,000 accident may say, "I've paid \$1,000 in premiums each year for five years so I'm still money ahead." This is not how insurance works. You are paying the company an amount of money to cover you in case of loss during a specific amount of time. After that time expires, that money, in effect, goes away, and you start again with the payment of another premium. Assuming you have no claims during that time period, your money goes to pay claims for others, to finance company expenses, etc.

Another myth is that a consumer should rely solely on the agent to make decisions. The consumer should be an active partner in determining the needs for his/her family. While the agent is there to advise and assist, it is the consumer's responsibility to read the policies and understand what is covered and what is excluded. The time to read your policies is BEFORE you are sitting in your wrecked car or destroyed home. If you have specific questions about your insurance policies, call your agent.

Kentucky Access

Did you know Kentuckians have another choice for individual health insurance coverage? Kentucky Access is an insurance pool designed to provide an alternative for individuals who may have trouble finding coverage in the private market. Kentucky Access is operated by the Kentucky Department of Insurance with advisory input from the Health Insurance Advisory Council, a group made up of insurers, health care providers, consumers and agents. The program is overseen by the Kentucky Health

Care Improvement Authority, a board appointed by the governor. For additional information, please call Kentucky Access Customer Service, toll-free, at 866-405-6145, or visit the Kentucky Access Web site at <https://www.kentuckyaccess.com/index.cfm>.

Long-Term Care Insurance

As the population ages, more of us are facing the thought of how to pay for nursing home or other long-term care for ourselves or a family member.

It is important for consumers to know that Medicare, Medicare supplement insurance and the major medical health insurance you have at work usually will not pay for long-term care.

Many families use their own funds to pay for this care or must rely on Medicaid. Long-term care insurance allows you to protect some of your assets, pay for your own care and be independent from the support of others.

However, long-term care insurance isn't for everyone. You shouldn't buy it if you can't afford the premiums, if you have limited assets, if your only source of income is Social Security, or if you have trouble paying for basic needs such as utilities, food or medicine.

The Kentucky Department of Insurance has a free Consumer Guide to Long-Term Care Insurance. The guide contains detailed information about this type of insurance and tips to help you decide whether you need it as well as price comparisons for many of the companies selling the product in Kentucky.

You can order a copy by calling our toll-free number at 800-595-6053 (in KY) or 502-564-3630 (out of state) or look at the guide online on our Web site <http://insurance.ky.gov/> on the Publications page.

Medicare Supplement Insurance

If you are looking for Medicare supplement insurance, here are some things to consider:

- You need only ONE Medicare supplement policy. It is illegal for an insurer to sell a consumer more than one of these policies. If you are replacing an existing policy, however, do not cancel the old one until the new one is in force. Be sure to state in your application that you wish to replace the old policy.
- Answer all health questions accurately.
- When you purchase a policy, make the check payable to the insurance company, not the agent. **Do not pay in cash.**

- Remember that all Medicare supplement policies sold after January 1992 are standardized. This means all Plan Fs will offer the same benefits. However, premiums may vary greatly from one company to another.
- The Department's Health and Life Division staff will be happy to answer any questions you might have about Medicare supplement insurance. Call them at 800-595-6053 (in KY) or 502-564-3630 (out of state). Click here for access to an online [Medicare Supplement Premium Comparisons](#) search, or visit the Health and Life Division page on the DOI Web site (<http://insurance.ky.gov/>).

Online Security

Many consumers are turning to the Internet for shopping. Whether you are buying books, toys or insurance, here are some common tips to consider:

- Be careful about online security. Be cautious about giving out any financial or personal information such as credit card numbers, medical history, address, Social Security number, etc. Be sure the site is secure and know what the company plans to do with the information.
- If buying insurance, be sure you are dealing with a company licensed in Kentucky. Check out the company by using the Information Search feature at our Web site <http://insurance.ky.gov/> or call DOI at 800-595-6053 (in KY) or 502-564-3630 (out of state).
- Don't give in to high-pressure tactics. If it's a legitimate offer, it will still be there tomorrow. If the deal seems too good to be true, it probably is.
- Deal with known, reputable companies and verify that the site is "official." The Web site that is here today may be gone tomorrow - taking your money with it.
- Ask the company how it handles support if you have a problem or questions. If you are given an 800 number to call, go ahead and dial it to see how responsive the customer service representatives are. Do you feel confident that they would help you in a timely, efficient manner if you were in a crisis situation?

Personal Inventory

If you needed to file a claim with your insurance company, how accurate would your personal property inventory be?

It is almost impossible to remember what items are in various rooms of our houses. Pick a room in your house. Close your eyes and try to list everything in that room. Chances are, you will have an incomplete, and perhaps inaccurate list. It makes sense for you to take a complete inventory of your belongings.

Videotaping all the rooms in your house is a good idea. You could take photos to go with a written list. Gather up as many receipts as possible, especially those for major purchases such as furniture and appliances. Update your lists on a regular basis. Don't

forget seasonal or occasional use items that may be stored in an attic or spare closet. This might include holiday decorations, sporting goods, tents, baby furniture, etc.

Obviously, you do not want to store these inventory records at your house. Leave them with a trusted friend or relative, in a bank safe deposit box, or in your desk at work.

For a Home Inventory booklet, go to

<http://insurance.ky.gov/Documents/HouseholdInventory051310.pdf>.

Renters Insurance

If you live in an apartment or rent a condo, duplex or house, don't forget to call your agent about renter's insurance. While your landlord's policy covers damages to the building, you must purchase insurance to protect your belongings.

Be sure you know whether the company is writing "actual cash value" or "replacement cost" coverage. Actual cash value will pay for what your property was worth at the time it was damaged or stolen, factoring in depreciation. Replacement cost will pay for what it will cost to replace the items you lost.

Be sure to check the limits of the policy, particularly if you have expensive jewelry, electronics or antiques. You may need to purchase a rider to be sure you are adequately covered.

Most standard policies also would offer liability protection in case someone falls or is hurt while in your apartment.

If you are in college, are under 26 years old and your parents have home or renter's insurance, you might have limited coverage on your parents' policy in a dorm, but you are not covered if you live in an apartment. Ask your agent for details.

Swimming Pools

As you retreat to your backyard for a relaxing swim, stop on the way and give your insurance agent a call. Otherwise, you might find yourself thrown into the deep end without a life preserver.

Your pool should be secured according to your insurance carrier's guidelines. Many require a fence of a specified height with a gate that can be locked. Just posting a sign will not protect you from a lawsuit. While you're at it, ask if the company requires railings around your deck or porch or handrails for any area with more than two steps.

If your backyard also features a trampoline, carefully read your policy and talk to your agent. Some companies will not insure your property if you have a trampoline or will have exclusions for any liability related to trampoline injuries.

Once you're certain you're properly insured, you will enjoy that dip in the pool even more.

Viatical Settlements

Viatical settlements have been around for a number of years but consumers are starting to hear more about them. A viatical settlement is the sale of a life insurance policy to a third party.

The owner of the policy sells it for a cash payment that is less than the full amount of the death benefit. The buyer becomes the new owner and/or beneficiary, pays all future premiums and collects the full amount of the death benefit when the insured dies.

This may or may not be a good deal for you. Before entering into any viatical settlement transaction, contact your life insurer to learn about other possible options under your policy, such as accelerated benefits. Also ask if your policy has a cash value.

Contact your financial adviser. Ask about tax and other financial consequences. Find out what impact this would have on any debts you have, as well as any public assistance benefits.

Contact the Kentucky Department of Insurance and ask for a copy of the [Consumer Guide to Understanding Life Settlements](#). You can look at the guide online at the DOI Web site on the Publications page. Do not make any decisions until you are certain you understand all aspects of viatical settlements.

Winter Safety

As winter approaches, we know to be sure we have a warm blanket, a bag of kitty litter and an ice scraper in our cars.

Expand your winter preparations by becoming familiar with your homeowners policy to be sure you don't have weather-related surprises. In general, the following damages are not covered in a basic homeowners plan:

- Freezing of plumbing, heating or air-conditioning, unless heat has been maintained or the pipes have been drained;
- Freezing, thawing pressure or weight of water or ice on a fence, pavement, patio, swimming pool, foundation, retaining wall or dock;
- Ice and wind damage to trees, or
- Losses resulting from a power failure that occurs off-premises. This would include food spoilage caused by a power outage.

Check with your agent if you have other questions.

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The TTY line for the deaf or hard-of-hearing is 800-462-2081. You may file a complaint online at http://insurance.ky.gov/online_complaint.aspx?MenuID=3&Div_id=4.

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